Get the REAL Value Proposition Right

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Recently, "value proposition" has burst on the scene as a hot new buzzword topic of articles, speeches, and webinars. Ones I've seen seem to present pretty similar messages, with some good advice points yet ultimately still not getting it right. Despite saying value propositions should focus on the customer, the approaches I've seen pay lip service to but actually miss the customer view. They fail to realize that value propositions should reflect true customer value that meets REAL business requirements.

The presentations also all appear aimed at sales people, which I'd suggest indicates two requirements community opportunities. First, it's not just sales people who can benefit from value propositions. Appropriately-formed value propositions would benefit business people, managers, project managers, developers, and business analysts too.

Second, sales is an important constituency the requirements community generally overlooks—in some ways more important than business analysts. Sales people are in the business of satisfying customer requirements and therefore have an immediate, immense tangible payback from getting customer requirements right. Companies ordinarily are willing to invest in training sales people, usually far more so than with respect to business analysts. However, except for my own work partnering with ProveIt.net, I've seen no mentions recognizing that knowing how to discover requirements is a critical sales skill.

Common Roles of Value Propositions

Probably the hardest part of sales is capturing a prospect's attention so the sales person literally and figuratively can "get in the door." A number of the value proposition presentations I've heard essentially consider a value proposition to be nothing more than a door-opener description of their sales offering that causes a prospect to pay attention enough to allow the sales person to proceed to the next steps in the sales process.

While a value proposition indeed should get the sales person in the door, it should be more than an opening gimmick. Rather, the organization's strategy should embody the value proposition and thereby guide throughout what they do and how they do it.

All the authors appear to agree that the value proposition must describe the sales offering in terms of the benefits it will provide to the prospective customer, and those benefits must be stated in the customer's language. Too often, though, there's only a superficial understanding of what speaking the customer's language means.

I've heard many supposed experts who seem to think that speaking the customer's language merely means you say a bunch of buzzwords. For example, according to them saying "Stat" would mean you talk the language of health care professionals. How effective would that be for gaining your confidence and buy-in, especially if you'd spent eight or more years in medical school, internships, and residencies? Could such actions actually highlight how little you understand your customers?

Some authors though seem mainly concerned with the value proposition's precise wording. While everyone agrees on the need for clarity and conciseness, several authors largely emphasize choosing verbiage that stands out from the expected, even to the point of jolting the customer's consciousness. I'll caution that over-attention to word games quickly can distract from or even destroy the vital value message the proposition is supposed to be conveying. Moreover, exaggeration sufficient to entice the prospect can backfire if it exceeds or distorts the offering's actual value to the customer.

Creating a Value Proposition

Despite virtually all stating that value propositions should consist of benefits in the customer's language, it's not just the customer's language but also and more importantly that it's the customer's value. Many of the authors promote similar value proposition creation processes which in fact easily can miss the customer's perspective.

Many commonly-advocated approaches start by crafting the seller's Unique Selling Proposition (USP). USPs have long been widely-accepted as an essential sales technique. The USP describes whatever sets the seller's offering apart from competing offerings.

For instance, Domino's Pizza's promise to deliver within 30 minutes is cited frequently as an example of a USP. Although some authors seem merely to be calling a USP a value proposition, most massage the USP wording into an attention-grabbing statement emphasizing what the seller believes the USP's benefits would be for the customer.

The trap of USPs is that they are usually from the perspectives of two sellers—you and your competitor. USPs can be more concerned with the competitor than with the customer. Focusing largely on identifying features of your product that differentiate it from features of competing products easily diverts attention from what customers value.

Thus, for 50 years, Domino's has been distinguishing itself from (implied) competitors solely on the basis of delivery speed. If 30 minutes delivery isn't critical for a customer, they probably will buy from a seller other than Domino's whom they feel makes the tastiest pizzas. It's interesting that Domino's now has turned its attention to the pizza itself.

Good-tasting pizza delivered in 30 minutes indeed seems even more unique and also offers far greater value. Domino's recent strategy and marketing shift finally recognizes that they've probably been missing many prospective customers who wouldn't order what they feel is less tasty pizza no matter how fast it is delivered. In other words, Domino's is shifting from a competitor-beating Unique Selling Proposition to more of a customer-satisfying Value Selling Proposition.

Value Selling Maturity Model

USPs represent a low-maturity form of selling on value. In a white paper available at www.ProveIT.net, Anthony Sarno and I describe a five-level "Value Selling Maturity Model." As one moves up to higher and higher maturity levels, sales effectiveness improves—but not necessarily in the manner or to the extent commonly presumed.

As with many maturity models, one achieves Level 1--Not Selling on Value—merely by not qualifying at a higher maturity level. Look around and you'll probably be surprised at how seldom sellers actually do even try to sell on value. Most simply present what they've got for sale and rely on the customer to figure out the value. That's Level 1.

Value Maturity Levels 1 through 4 are the conventional ways many organizations consider to be selling on value. Unlike other maturity models, where big changes occur when going up in maturity from the default Level 1, the value selling breakthrough to much more effective selling is not until Level 5.

Please note that while the Value Maturity Model is aimed at sales people's practices, the same factors apply internally to business analysts, project managers, and others trying to sell their ideas to the organization.

Value Maturity Level 2 - Differentiating Features

USPs are an example of Level 2 Value Maturity, where value is defined in terms of the product's or service's Differentiating Features. Often, also, sellers at this level spend a lot of time talking about their company, which the customer may be unlikely to value. It's like the person introducing a speaker who feels compelled to read the speaker's bio. By the time the introducer is done killing the buzz, even a great speaker may not be able to recapture the audience's attention.

Selling at Value Maturity Level 2 implicitly assumes that your product's features are what customers want and that customers appreciate how your product's differentiating features indeed do offer advantages over competing products/services. Level 2 assumes the value is in offering something you do better than anyone else and that competitors can't match. This is low maturity because doing something well, even something others can't do, does not by itself mean it's of value to prospective customers.

Taking this from the sales to traditional requirements arena, consider how frequently projects are advocated and initiated to create products, systems, and services merely because they seem like a good idea, even a "cool" one.

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Value Maturity Level 3 - Benefits

Value Maturity Level 3 at least superficially seems as though it's indeed concentrating on value because it involves identifying Benefits of your product, system, or service for your prospective customer.

The trap is that the benefits almost always are identified from the perspective of the seller, regardless whether it's a product or project idea. The thought process usually starts with the seller's product, system, or service and then tries to figure out what benefits someone else could get from it. Sometimes customers may agree but many times the claimed benefits miss the mark.

As an example, perhaps you can remember Johnny Carson's "Tea Time Movies" sleazy salesman character, Art Fern, coming up with all manner of benefits your child would get if you bought them an ordinary stick, dubbed "Dickie the Stick," and selling for $19.95. Of course, maybe Carson's bits weren't so ironic after all, since the stick recently was named to the toys hall of fame.

If you're not familiar with the Carson reference, you probably can identify with the creative "benefits" reasons teenagers come up with trying to convince their parents to allow the kid to do something forbidden. Of course, the classic claimed benefit is, "Mary's parents let her do it." How'd that work for you when you tried it with your parents, or for your kids when they said it to you?

Inferring benefits from others isn't limited to personal life. Citing success stories and endorsements from other customers are widely-accepted classic "good sales practices" and frequently are raised to support proposed projects. Such seeming benefits sometimes are persuasive, and some prospects even demand to hear about them; but often the stories and endorsements don't actually convey benefits the prospective customer values.

Success stories told by sellers have a way of seeming too good to be true, and obviously only stories that make the seller look good are told. Moreover, it's often hard to believe that some other organization's success will translate to one's own very different situation. Whereas success stories always make it seem that the product itself is the sole source of success, very often, the actual factors leading to the success may represent things unrelated to the product that indeed may not translate to another organization's efforts.

The same types of benefits-claiming happen internally within business organizations. Managers know that every proposed project is presented with the presumption that it will produce great benefits for the organization, but often the only clear beneficiary of the supposed good idea is the project's proponent. One of the major reasons consultants are hired is to provide a more objective independent analysis of seemingly good but still self-serving ideas proposed by people we work with in our organization.

Level 4 - (Ostensible) ROI and Calculators

Value ultimately must be quantified in money. The value of the *return* benefits must exceed the *investment* cost of achieving those benefits. Return on Investment (ROI) quantifies this relationship in terms of payback period and/or as an annual percentage return which can be compared to competing proposed investments' returns.

Thus, many sellers quote potential ROIs for their product, system, or service. Some of those sellers go further by providing a calculator the prospective customer can use to compute the ROI they could expect from buying the product. The more precise the claimed ROI, the more believable it often is. Surely quoting, and especially calculating, one's own ROI to three decimal places proves Value, doesn't it?

Yes, quantified ROI should be part of a value proposition. However, let's be candid. Sellers' claimed ROIs and their calculators tend to be suspect. Somehow their calculations always show great financial benefits for the seller's product. Moreover, they sometimes present excessive unwarranted precision which actually can create suspicion.

I'm sure you're aware of the common caveats, "Your mileage may vary," "Described weight losses are not typical," and "Past performance does not predict future performance." Yet, all of these sellers quote their various quantified returns hoping you'll believe you'll get them too from the seller's product. Apparently it works.

What do you think the chances are that sellers' calculators include only variables that make their product look good? What do you think the chances are that some other or additional variables omitted from the calculator may also affect your own returns in ways the seller doesn't want you to consider?

Furthermore, even if the product in fact can produce such ROI, is it a return the customer values? For instance, it's possible that I indeed could use a metal detector to find buried treasure worth more than the detector's cost; but I choose not to spend my time doing it.

Breakthrough Value Maturity Level 5 – REAL Customer Value Proposition

Value propositions break through to high maturity when they start by identifying what the customer really values and then show how the seller's products and services deliver that value. Accurately understanding and reliably quantifying what the customer values differentiates this high maturity level from lower maturity levels which ultimately tend to be based instead on the seller's view of what the customer ought to value.

Understanding the customer's view of value and reliably quantifying it also are the hard parts that most sales (and business analysis) people don't know to do or how to do well.

Too often those in sales, marketing, and product/system development (which includes business analysis) overestimate their understanding of what their prospective customer needs and values. One cannot presume. You must find out, which means asking the right questions, truly listening to the answers, and analyzing appropriately to assure understanding from the customer's perspective. For most folks, this is neither easy nor intuitive.

Finding out what the customer values is further complicated by the fact that the customer probably is not unitary or one-dimensional. That is, *the* customer actually may be several customers, representing different roles; and even the same customer may have different perspectives on value depending on their point in the process. For instance, the customer implementing a new product has different needs when they become experienced users of the product. You have to find out about the existence of various perspectives, then find out what each values, and finally piece them together into the proper picture.

Value to the customer comes from satisfying the customer's REAL business requirements deliverable *whats* that in turn solve the customer's REAL problem, meet their REAL challenge (which is a form of a problem), or take an opportunity (usually to solve someone else's REAL problem).

To help accurately identify the REAL problem, REAL value of addressing it, and the REAL business requirements that will address it, we use the powerful Problem Pyramid™ described in my requirements and REAL ROI™ seminars, in articles such as "ROI is Deceptive Without REAL Requirements and Quantified Intangibles" at http://www.requirementsnetwork.com/node/735#attachments, and in my book, *Discovering REAL Business Requirements for Software Project Success*.

We use the Problem Pyramid™ in three different ways to create REAL Customer Value Propositions. The first way is used to craft a general REAL Customer Value Proposition that is used in marketing messages for broad communication to attract prospects. This method develops a Problem Pyramid™ for a customer persona and is dependent upon the seller's knowledge of their customers. The REAL Customer Value Proposition links the seller's product/system's differentiating features to satisfying the persona customer's REAL business requirements that provide value when met.

The second technique modifies the persona's Problem Pyramid™ with respect to a specific prospect and then tailors the generic marketing message REAL Customer Value Proposition to the individual customer's REAL business requirements. This is usually sufficient for most selling situations.

However, complex and unique customer situations necessitate the third technique, which involves developing a Problem Pyramid™ for the particular prospect and crafting a REAL Customer Value Proposition describing how the seller's product or service satisfies that customer's specific REAL business requirements.

The Problem Pyramid™ also quantifies the value from the customer's perspective, which is irrespective of the seller's solution. The three different ways represent value quantifications which are increasingly more precise for the particular prospect.

To calculate right, reliable, and responsible REAL ROI™, the quantified value then is compared to the costs of the seller's solution that satisfies the customer's REAL business requirements and thereby achieves the value.

REAL customer value propositions coupled with REAL ROI™ are compellingly convincing and thus constitute high value selling maturity.

Uses Beyond Sales

These value proposition maturity concepts and techniques don't just apply to sales people. To sell your good ideas and the projects intended to accomplish those good ideas, you're much more likely to gain support when you start by truly understanding what your target values, showing how what you propose can achieve that value, and reliably quantifying the financial benefits of doing it.

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